


ANNUAL REPORT

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1974



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Directors

J. S. DEACON
S. E. EDWARDS, Q.C.
A. GOLD
WM. W. LAIRD, Q.C.
E. LAWRENCE

Officers

A. GOLD,
PRESIDENT
WM. W. LAIRD, Q.C.,
EXECUTIVE VICE PRESIDENT
L. R. DOBBIN,
VICE PRESIDENT & GENERAL MANAGER
S. E. EDWARDS, Q.C.,
SECRETARY

Head Office and Plant

CAMBRIDGE, Ontario

Bankers

Royal Bank of Canada

Solicitors

Fraser & Beatty

Transfer Agents and Registrars

National Trust Company,
Toronto

Auditors

Thorne, Gunn & Co.
Chartered Accountants, Toronto

Annual Meeting

June 2, 1975 — 10:00 a.m.
Head Office, Cambridge, Ontario

Report of the directors

TO THE SHAREHOLDERS

On behalf of the Board of Directors, I submit the Annual Report for the year ended December 31, 1974 along with the Financial Statements and the Report of the Auditors.

FINANCIAL HIGHLIGHTS

	1974	1973	% CHANGE
Sales and Commission	\$5,758,000	\$5,302,000	9
Pounds Shipped	5,128,000	5,085,000	1
Profit Before Extraordinary Item	187,000	287,000	(35)
Profit After Extraordinary Item	187,000	417,000	(55)
Cash Flow from Operations	524,000	734,000	(29)
Long-Term Debt	225,000	425,000	(47)
Working Capital	302,000	422,000	(28)
Working Capital Ratio	1.29:1	1.42:1	(9)
Earnings Per Common Share Before Extraordinary Item .....	.75	1.33	(44)
Earnings Per Common Share After Extraordinary Item .....	.75	2.10	(64)

SALES AND COMMISSION REVENUE

Although there was some increase in nylon yarn prices over 1973, the nylon market (on which our direct sales are based) deteriorated substantially in the last half of 1974 which affected earnings considerably. Volume of commission products, however, was up 13% and total revenue was up 9% compared to the previous year.

EARNINGS

The decline in volume of nylon sales reduced share earnings to 75¢ compared to \$1.33 the previous year. However part of 1973 earnings were due to inflation.

BALANCE SHEET

The reduction shown in deposit receipts was due to down payment made on machinery required for our new Cornwall Plant. This resulted in a shrinkage in working capital as indicated above. Inventories increased during the year due to higher material costs and lower direct sales.

EXPANSION PLANS

Construction is now underway on a new texturing plant in Cornwall, Ontario which is to be leased by the corporation on a long-term basis.

The corporation is negotiating long-term financing which is expected to cover the full cost of the machinery and equipment to be purchased.

We are planning to be in full production by the coming year-end supported by purchase contracts.

The company intends to continue production at its Cambridge Plant.

MARKET OUTLOOK

The decline in consumer demand which developed mid-1974 has continued into the first quarter of 1975, but we feel that a turn-around will be evident by the mid-year.

EMPLOYEES

We value the support of our employees and wish to record our appreciation for the contribution they have made during the year.

CHANGE IN BOARD OF DIRECTORS

R. J. Anderson, a director since 1962, retired from the Board of Directors in December, 1974.

Mr. E. Lawrence, a retired executive of the Toronto-Dominion Bank, was elected to fill the vacancy.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF RIVERSIDE YARNS LIMITED

We have examined the balance sheet of Riverside Yarns Limited as at December 31, 1974 and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cambridge, Ontario
February 18, 1975

THORNE, GUNN & CO.,
Chartered Accountants.

Riverside Yarns Limited

STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	1974	1973	
Sales and commission revenue	\$5,758,377	\$5,302,418	
Cost of goods sold	4,963,821	4,283,854	
Gross profit	794,556	1,018,564	
Selling and administrative expenses	415,641	408,122	
Interest on long-term debt	62,500	87,678	
Financing expenses amortized	2,033	2,992	
	480,174	498,792	
	314,382	519,772	
Profit on sale of fixed assets		3,399	
Earnings before income taxes and extraordinary item	314,382	523,171	
Income Taxes			
Current	92,885	171,195	
Deferred	34,452	65,100	
	127,337	236,295	
Earnings before extraordinary item	187,045	286,876	
Income tax reduction realized on carry forward of prior years' losses		130,447	
NET EARNINGS FOR THE YEAR	\$ 187,045	\$ 417,323	
EARNINGS PER COMMON SHARE (note 6)			
	1974	1973	
		Before extraordinary item	After extraordinary item
Earnings per common share	\$.75	\$1.33	\$2.10

STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	1974	1973
Balance at beginning of year	\$ 621,281	\$ 203,958
Net earnings for the year	187,045	417,323
	808,326	621,281
Dividends on Class A shares	45,000	
BALANCE AT END OF YEAR	\$ 763,326	\$ 621,281

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	1974	1973
SOURCE OF FUNDS		
Operations		
Net earnings for the year	\$ 187,045	\$ 417,323
Items not involving current funds		
Depreciation and amortization	302,472	255,461
Deferred income taxes	34,452	65,100
Profit on sale of fixed assets		(3,399)
	<hr/>	<hr/>
	523,969	734,485
Proceeds from sale of fixed assets	—	5,712
	<hr/>	<hr/>
	523,969	740,197
	<hr/>	<hr/>
 APPLICATION OF FUNDS		
Additions to fixed assets	399,161	433,853
Reduction of non-current portion of		
long-term debt	199,640	226,440
Dividends on Class A shares	45,000	
	<hr/>	<hr/>
	643,801	660,293
	<hr/>	<hr/>
INCREASE (DECREASE) IN WORKING CAPITAL	(119,832)	79,904
WORKING CAPITAL AT BEGINNING OF YEAR	422,025	342,121
	<hr/>	<hr/>
WORKING CAPITAL AT END OF YEAR	\$ 302,193	\$ 422,025
	<hr/>	<hr/>

Riverside Yarns Limited

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1974

(with comparative figures at December 31, 1973)

ASSETS

CURRENT ASSETS	1974	1973
Cash	\$ 25,039	\$ 24,822
Bank deposit receipts	50,000	300,000
Accounts receivable	631,472	603,913
Inventories (note 1)	483,504	399,240
Prepaid expenses	148,426	103,686
	<u>1,338,441</u>	<u>1,431,661</u>
 FIXED ASSETS (note 2)		
Land, buildings, machinery and equipment	3,265,258	2,866,097
Less accumulated depreciation	2,123,505	1,823,066
	<u>1,141,753</u>	<u>1,043,031</u>
 DEFERRED FINANCING EXPENSES, less amortization	1,812	3,845
	<u>\$2,482,006</u>	<u>\$2,478,537</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 657,370	\$ 675,831
Income and other taxes payable	179,238	107,365
Principal due within one year on long-term debt	199,640	226,440
	<u>1,036,248</u>	<u>1,009,636</u>
 LONG-TERM DEBT (note 3)	224,880	424,520
 DEFERRED INCOME TAXES	99,552	65,100

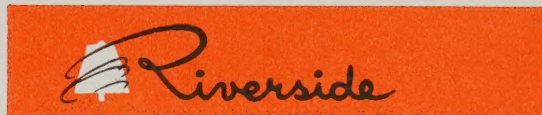
SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)		
Authorized		
120,000 Class A \$.50 cumulative convertible voting shares without par value		
290,000 Common shares without par value		
Issued		
120,000 Class A shares }	358,000	358,000
170,000 Common shares }		
RETAINED EARNINGS	763,326	621,281
	<u>1,121,326</u>	<u>979,281</u>
	<u>\$2,482,006</u>	<u>\$2,478,537</u>
 Commitments (note 5)		

Director: WM. W. LAIRD

Approved by the Board

Director: E. LAWRENCE



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1974

1. INVENTORIES	1974	1973
Raw materials	\$ 120,880	\$ 195,032
Work in process	82,839	74,549
Finished goods	279,785	129,659
	<u>\$ 483,504</u>	<u>\$ 399,240</u>

Raw materials are valued at lower of cost and replacement cost. Work in process and finished goods are valued at lower of cost and net realizable value.

2. FIXED ASSETS	1974		1973	
	<u>Asset value</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>
Land	\$ 6,600		\$ 6,600	\$ 6,600
Buildings	393,648	\$ 280,947	112,701	116,941
Machinery and equipment	2,514,192	1,842,558	671,634	919,490
Construction in progress (note 5)	350,818		350,818	
	<u>\$3,265,258</u>	<u>\$2,123,505</u>	<u>\$1,141,753</u>	<u>\$1,043,031</u>

Land and buildings are valued at replacement value as of April 20, 1928 with subsequent additions at cost. Machinery and equipment are valued at cost.

It is the company's policy to write off the cost of fixed assets over the estimated number of years in which the asset can economically contribute to earnings.

<u>Asset Class</u>	<u>Rate</u>	<u>Method</u>
Buildings	5%	declining balance
Machinery and equipment		
Additions prior to 1968	20%	declining balance
1968 and subsequent additions mainly	20%	straight line

Depreciation charges included in cost of goods sold are \$300,439 (\$252,469 in 1973).

3. LONG-TERM DEBT	1974	1973
9.4% Mortgage loan, maturing August 23, 1975	\$ 53,600	\$ 134,000
12% Mortgage bond, maturing June 15, 1976	74,920	124,960
12% Mortgage loan, maturing January 23, 1978	296,000	392,000
	<u>424,520</u>	<u>650,960</u>
Less principal included in current liabilities	199,640	226,440
	<u>\$ 224,880</u>	<u>\$ 424,520</u>

Riverside Yarns Limited

3. LONG-TERM DEBT (continued)

These debt instruments are secured by the company's fixed assets and in addition the 12% mortgage loan is secured by a floating charge on all assets and undertakings of the company.

Principal due within each of the next four years is as follows:

1975	\$199,640
1976	120,880
1977	96,000
1978	8,000

4. CAPITAL STOCK

The Class A shares are convertible into common shares on the basis of one common share for each two Class A shares converted.

Dividends on Class A shares are in arrears at December 31, 1974 in the amount of \$2.125 per share totalling \$255,000.

5. COMMITMENTS

Construction is in progress on a new plant at Cornwall, Ontario. A lease is currently being negotiated for the land and buildings at an estimated annual cost of \$350,000 for a thirty year term.

Related production equipment is estimated to cost \$3,900,000. Of this amount \$350,818 had been expended at December 31, 1974, chiefly as deposits on equipment orders totalling \$3,400,000.

The company is negotiating long-term financing which is expected to cover the full cost of the machinery and equipment to be purchased. Receipt of these funds will increase the company's working capital position which has been reduced as a consequence of the \$350,818 expended on equipment in 1974.

6. EARNINGS PER COMMON SHARE

Earnings per common share have been calculated after providing for dividends for the year on Class A shares. Conversion of the Class A convertible shares would be non-dilutive in 1974.

7. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounts to: 1974, \$135,700; 1973, \$110,853.

PROFIT and LOSS

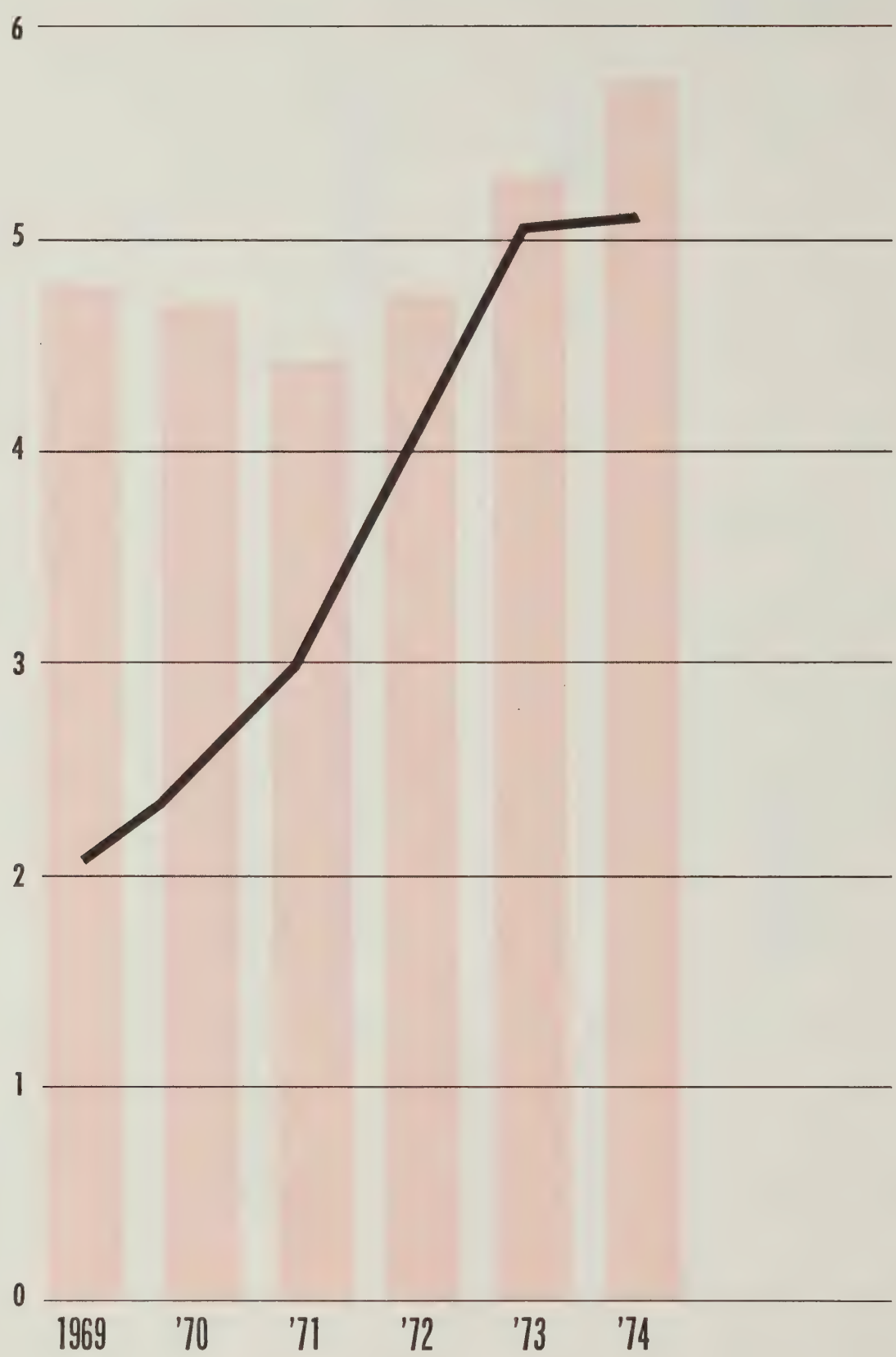
Thousands of dollars



Riverside Yarns Limited

SALES

BAR - SALES AND COMMISSION REVENUE IN MILLIONS OF DOLLARS
LINE - SHIPMENTS IN MILLIONS OF POUNDS



Six Year
Financial Summary
See Overleaf

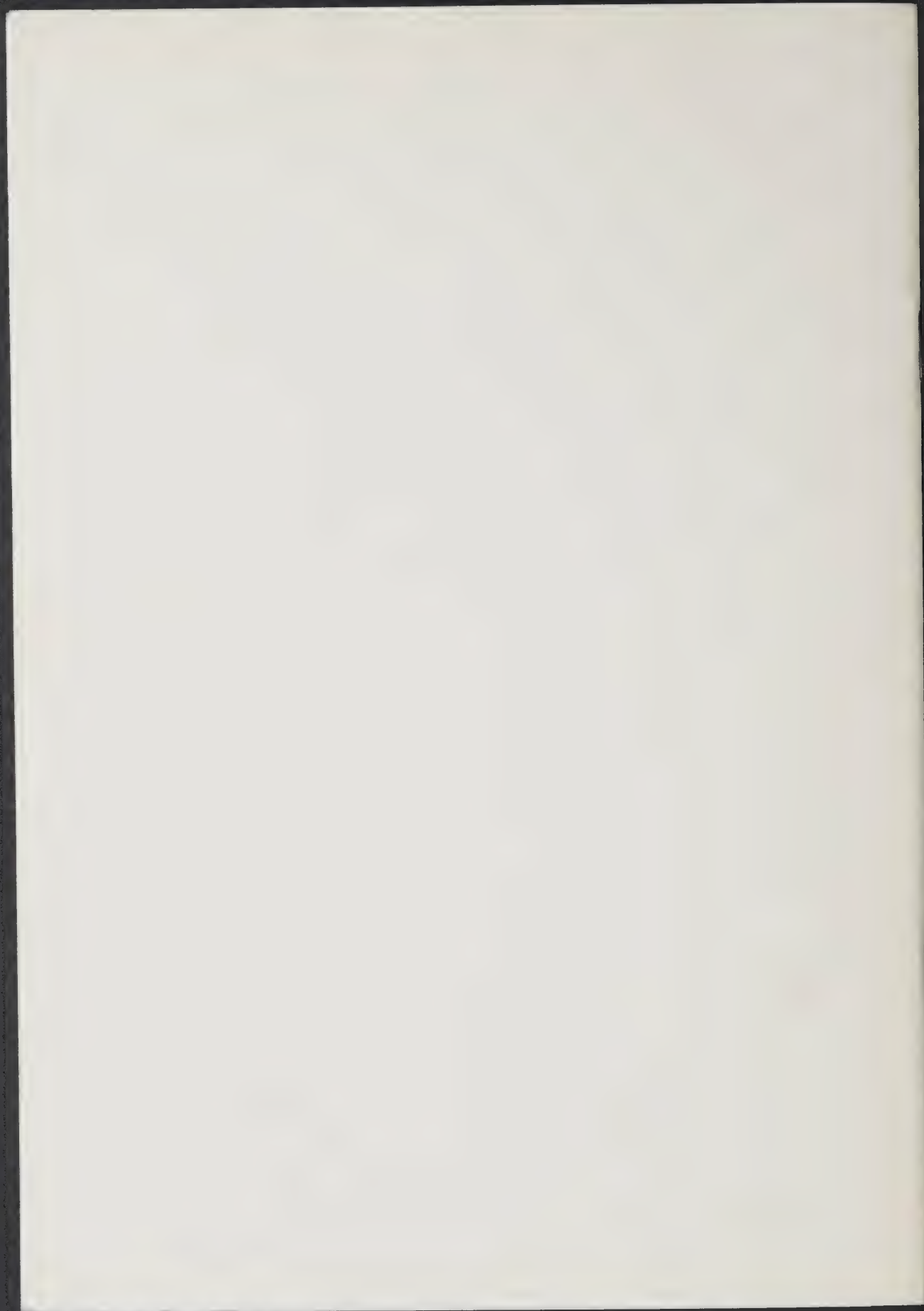
SIX YEAR FINANCIAL SUMMARY

INCOME AND EXPENSE						
	1974	1973	1972	1971	1970	1969
Sales and commission revenue	\$5,758,377	\$5,302,418	\$4,774,234	\$4,448,320	\$4,719,889	\$4,797,135
Cost of goods sold excluding depreciation	4,665,239	4,033,058	4,075,656	3,845,751	4,184,664	4,070,176
Gross Profit excluding depreciation	1,093,138	1,269,360	698,578	602,569	535,225	726,959
Selling and administrative expenses excluding depreciation	412,484	405,449	502,661	403,692	448,218	327,538
Directors' fees	1,300	1,000	1,100	1,200	1,300	2,600
Interest on long-term debt	62,500	87,678	106,168	88,758	72,653	46,425
Financing expenses amortized	2,033	2,992	2,940	3,767	4,066	1,665
	478,317	497,119	612,869	497,417	526,237	378,228
Earnings before undernoted items	614,821	772,241	85,709	105,152	8,988	348,731
Profit (loss) on sale of fixed assets	—	3,399	9,125	3,729	(32,887)	10,845
	614,821	775,640	94,834	108,881	(23,899)	359,576
Depreciation	300,439	252,469	272,548	231,983	262,234	183,577
Earnings (loss) before income taxes	314,382	523,171	(177,714)	(123,102)	(286,133)	175,999
Income taxes						
Current (net of extraordinary item in 1973)	92,885	40,748	—	—	(38,959)	38,959
Deferred	34,452	65,100	—	(33,421)	(91,764)	44,436
	127,337	105,848	—	(33,421)	(130,723)	83,395
Net earnings (loss) for year....	\$ 187,045	\$ 417,323	\$ (177,714)	\$ (89,681)	\$ (155,410)	\$ 92,604

FINANCIAL AND OTHER INFORMATION						
	1974	1973	1972	1971	1970	1969
Working capital	302,193	422,025	342,121	359,627	478,878	414,273
Working capital ratio	1.29:1	1.42:1	1.42:1	1.29:1	1.42:1	1.35:1
Long-term debt	224,880	424,520	650,960	764,200	514,600	655,000
Shareholders' equity	1,121,326	979,281	561,958	739,672	829,353	992,056
Number of shares outstanding — Class A	120,000	120,000	120,000	120,000	120,000	120,000
Common	170,000	170,000	170,000	170,000	170,000	170,000
Equity per share — Class A	5.11	4.55	2.82	3.14	3.15	3.42
Common	2.99	2.55	1.32	2.14	2.65	3.42
Net earnings (loss) per share — Class A .....	.75	2.10	(1.40)	(.88)	(1.27)	.19
Dividends paid per share — Class A .....	.375	—	—	—	—	.50
Common	—	—	—	—	—	—
Dividend arrears per share — Class A	2.125	2.00	1.50	1.00	.50	—
Cash flow from operations	523,969	734,485	88,649	108,919	52,013	322,282
% of cash flow to shareholders' equity	46.7%	75.0%	15.8%	14.7%	6.3%	32.4%
Purchase of fixed assets	399,161	433,853	15,466	476,804	18,861	632,762
Fixed assets (net)	1,141,753	1,043,031	863,960	1,134,468	890,343	1,345,899

NOTE: Number of shares outstanding and per share items have been restated for years prior to 1970 to reflect the 1970 capital reorganization.

MEMORANDA



AR10

Riverside Yarns Limited

STATEMENT OF EARNINGS

First Six Months Ended June 30, 1974*

(With Comparative Figures for 1973)

	1974	1973
Sales and Commission Revenue	\$ 3,202,500	\$ 2,721,600
Cost of Goods Sold	2,494,400	2,079,300
Gross Profit	708,100	642,300
Selling and Administrative	247,600	223,300
Interest on Long Term Liabilities	34,600	47,200
Financing Expenses Amortized	1,200	1,700
	283,400	272,200
Earnings before Depreciation	424,700	370,100
Depreciation	160,000	134,200
Earnings before Provision for Income Taxes and Extraordinary Item	264,700	235,900
Provision for Income Tax	113,800	101,400
Earnings before Extraordinary Item	150,900	134,500
Income Tax Reduction Realized on Carry Forward of Prior Years' Losses	—	92,300
Earnings for the Period	150,900	226,800
Earnings per Common Share		
Before Extraordinary Item .....	.71	.61
After Extraordinary Item .....	.71	1.16
Fully Diluted Earnings per Common Share		
Before Extraordinary Item .....	.66	.58
After Extraordinary Item .....	.66	.99

*Unaudited

can corp

Riverside Yarns Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

First Six Months Ended June 30, 1974*

(With Comparative Figures for 1973)

	1974	1973
SOURCE OF FUNDS:		
Operations:		
Net Earnings First Six Months	\$ 150,900	\$ 226,800
Items Not Involving Current Funds		
Depreciation and Amortization	161,200	135,900
	<u>312,100</u>	<u>362,700</u>
APPLICATION OF FUNDS:		
Additions to Fixed Assets	76,300	33,000
Reduction of Non-Current Portion of		
Long Term Debt	113,200	113,200
	<u>189,500</u>	<u>146,200</u>
INCREASE IN WORKING CAPITAL	122,600	216,500
WORKING CAPITAL		
AT BEGINNING OF YEAR	422,000	342,100
	<u>544,600</u>	<u>558,600</u>
WORKING CAPITAL AT END OF SIX MONTHS		
	<u>1,970,000</u>	<u>1,474,700</u>
Current Assets		
Current Liabilities	1,425,400	916,100
	<u>544,600</u>	<u>558,600</u>
WORKING CAPITAL RATIO	1.38:1	1.61:1

*Unaudited

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WORLDWIDE TRADING COMPANY

STATEMENT OF INCOME FOR THE YEAR 1963

1963	1962
Net Sales	1,000,000
Cost of Goods Sold	(600,000)
Gross Profit	400,000
Operating Expenses	(200,000)
Operating Income	200,000
Interest Income	10,000
Interest Expense	(5,000)
Income Before Taxes	205,000
Income Tax Expense	(41,000)
Net Income	164,000

Dividends Paid	(20,000)
Retained Earnings, 1962	144,000
Retained Earnings, 1963	144,000
Assets	
Current Assets	1,000,000
Fixed Assets	200,000
Total Assets	1,200,000
Liabilities	
Current Liabilities	200,000
Long-Term Liabilities	100,000
Total Liabilities	300,000
Equity	
Common Stock	1,000,000
Retained Earnings	144,000
Total Equity	1,144,000